

SEAL BEACH MUTUAL NUMBER FIVE**Shareholder Regulations****Resident Lessee Regulations****Eligibility Requirements**

All persons seeking approval of the Board of Directors of Seal Beach Mutual No. Five to lease a residential unit in Mutual 5, and to reside in the Mutual, must meet the following eligibility criteria:

- A. Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.
- B. Meet the Mutual eligibility criteria as follows:

1. Age

Minimum of 55 years, as confirmed by a birth certificate, California Driver's license or passport.

2. Assets Requirement

A combination of liquid assets totaling at least \$35,000.

2.1. Acceptable assets are those considered to be liquid, marketable or income producing. Acceptable assets include, among others:

- 2.1.1.** Equity in U.S. residential property.
- 2.1.2.** Savings accounts in U.S. financial institutions.
- 2.1.3.** Cash value in life insurance.
- 2.1.4.** Certificates of deposit or money market accounts in U.S. financial institutions.

2.2. Excluded from consideration are the following assets, among others:

- 2.2.1.** Recreational vehicles, boats and trailers.
- 2.2.2.** Vacant land.
- 2.2.3.** Automobiles.
- 2.2.4.** Artwork, jewelry, furs and collections such as coins, dolls, stamps and other similar items.
- 2.2.5.** Term life insurance.
- 2.2.6.** Annuity funds that cannot be withdrawn in lump sum.
- 2.2.7.** Anticipated bequests or inheritances.
- 2.2.8.** Promissory Notes whose income is not reported on the prospective transferee tax return.
- 2.2.9.** Community property.

3. Income Requirement

At the time of requesting occupancy rights, a verified net monthly income at least four

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42 (4) times the monthly rental payment as listed upon the unit's lease agreement, or at
 43 least (4) times the carrying charge (Regular Assessment plus Property Tax and Fees),
 44 whichever is greater.

45
 46 **3.1.** Net Monthly Income as used in Section 3.2.3 is the sum of:

47 **3.1.1.** Adjusted Gross Income from Federal Tax Forms 1040, 1040A, or
 48 1040EZ; plus, that portion of Social Security, IRA distributions, and
 49 pensions and annuities not included in adjusted gross income; plus
 50 tax exempt interest; all divided by twelve (12) and,

51 **3.1.2.** The sum of all acceptable assets from Section 3.2.3, divided
 52 by the difference between the Actuarial Life Expectancy 1 minus the
 53 actual age of each applicant 2 divided by 12.

54
 55 **3.2.** Qualifying Monthly Income

56 **3.2.1.** The prospective lessee resident(s) must financially qualify for
 57 occupying a unit in Mutual 5. The qualifying income and assets of all
 58 resident lessees formally listed on the lease application shall be
 59 calculated collectively.

60 **3.2.2.** The qualifying monthly income determined for each resident lessee
 61 is calculated based upon the monthly lease payment specified in the
 62 lease agreement, or upon the Shareholder's current monthly
 63 assessments and taxes.

64 **3.2.2.1.** If the lease agreement for a unit specifies a monthly lease
 65 payment greater than/or equal to the shareholder's current
 66 monthly assessment, the lessee resident's qualifying
 67 monthly income is determined to be an amount at least
 68 four (4) times the lessee resident's monthly lease
 69 payment.

70 **3.2.2.2.** In the event the lease agreement for a unit specifies a
 71 monthly lease payment lower than the shareholder's total
 72 current monthly assessment and taxes, the lessee
 73 resident's qualifying income is determined to be four times
 74 the shareholder's monthly assessments and taxes.

75 **3.2.2.3.** The monthly assessment of a unit is calculated as the total
 76 of GRF and Mutual 5 carrying charges, plus all Orange
 77 County Property Taxes and Fees, less any cable charge.

78 **3.2.2.4.** In the event there are any changes of registered lessee
 79 residents legally authorized to occupy a Mutual 5 unit or
 80 the income and assets of any new combination of lessee
 81 resident(s) must meet these eligibility requirements.

82 **3.2.3.** Verified monthly income/assets may be in the form of the past two

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- 83 years of the information below, among others:
 84 **3.2.3.1.** The most recent Federal tax returns; including but not
 85 limited to:
 86 • 1099s for interest and dividends;
 87 • 1099-Rs for retirement income from qualified
 88 plans and annuities;
 89 • SSA-1099 Social Security Benefit Statement; d.
 90 W-2 forms or paycheck stubs.
 91 **3.2.3.2.** Brokerage statements and current interim statement.
 92 **3.2.3.3.** Six to twelve months of checking/savings account
 93 statements.
 94 **3.2.3.4.** Current income: bank, credit union or brokerage
 95 statements.
 96 **3.2.3.5.** Letters from bankers.
 97 **3.2.3.6.** Notices of annuities.
 98 **3.2.3.7.** Pensions.
 99 **3.2.3.8.** Trust Income.
 100 **3.2.3.9.** Disability Income.
 101 **3.2.3.10.** Residential or commercial property rental income.
 102 **3.2.3.11.** Settlement Payments.
 103 **3.2.3.12.** An owned business must include appropriate business tax
 104 schedules and a profit and loss statement.
 105
 106 **3.3.** Unacceptable income verifications include, among others.
 107 **3.3.1.** Letters from employers, accountants, bookkeepers and attorneys.
 108 **3.3.2.** Income not reported on Federal income tax returns except as noted
 109 above in Section 3.2.3.
 110 **3.3.3.** Funds held outside U.S borders except as noted above in Section
 111 3.2.3.
 112
 113 **3.4.** These calculations will be verified by the Stock Transfer Office, which shall
 114 have the final authority in establishing verifiable income/assets. Verification
 115 shall be completed by the Stock Transfer Office prior to the new buyer
 116 interview and formal filing of the lease agreement application.
 117
 118 **4. Health**
 119 Have reasonably good health for a person of his/her age, so that lessee resident can
 120 take care of normal living needs without calling on other members for an undue amount
 121 of assistance. Leisure World is not an assisted living or skilled nursing home facility.
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